

**Request for Permission to Charge for Electronic
Submission of Unemployment Insurance Records and Payments
Pursuant to Iowa Code Chapter 96
July 12, 2006**

The Iowa Workforce Development Division of Unemployment Insurance Services (UIS) provides services to businesses, workers and the citizens of Iowa by collecting unemployment insurance taxes, maintaining the Iowa Unemployment Compensation Trust Fund, and making payments to eligible jobless workers.

The Tax Bureau of UIS works with employers to insure their workers for the risk of unemployment and their compliance with tax laws. This is accomplished through liability determinations, tax ratings, tax reporting and payments, wage reporting, accounting, collection and auditing of employers. These services are provided to some 70,000 employers who report approximately 1,600,000 wage records on a quarterly basis.

The Tax Bureau of UIS has begun a project to take advantage of technology aids and custom software to automate many functions, and provide staff with tools to better manage information and job related tasks. This new system will form the basis for a broader computer system encompassing the entire Unemployment Insurance Tax program. The initial phase of this project will entail enabling employers to submit their tax obligation data, and make their tax payment over the Internet. Future phases will build on this functionality to improve reporting and tracking capabilities as well as increasing the accuracy of the data and calculating the tax obligation for the employer. It is IWD's intention to shorten the implementation time of the first phase by leveraging the existing contract that the State has with Iowa Interactive. In order to accomplish this, IWD is asking for approval of a value-added service fee to pay for Iowa Interactive's work in Phase one of the project. This fee will consist of two components:

The first component, to pay for development and ongoing operation of the application, will be \$2.00 per filing for the first 100,000 filings made through the online application. In order to encourage adoption of the developed application by employers, UIS intends to use funds allocated for the Tax Redesign project to pay the fee on the initial 100,000 filings. After the initial 100,000 filings, the rate would drop to \$0.15 per filing up to a maximum of \$37,500 for any 12 month period. UIS intends to use funds out of its operational budget to pay that fee.

The second component is made up of the costs incurred in the processing of electronic payments. UIS does not foresee the ability to, or advisability of, covering those costs for the employer. For credit card transactions, UIS proposes charging the customer a percentage of the transaction value that would allow UIS to recover the ITE fee, the credit card fees, the authorization company fee and the bank processing fee. Because of the varying fees, it is impossible to exactly calculate an appropriate percentage. Therefore, UIS proposes setting the initial fee as 4% of the credit card transaction value, with the understanding that this percentage will be reviewed, and adjusted if necessary, semiannually to insure that the employers are only paying a fee large enough to cover the fees incurred by UIS. This percentage is based on the DAS-ITE e-Payment Fee Summary (attached) and is intended solely to recover processing costs and will provide no additional income to IWD.

For electronic transfers (e-checks) the fee would be only the fee charged by the ITE e-payment engine, currently \$0.26 per transaction.